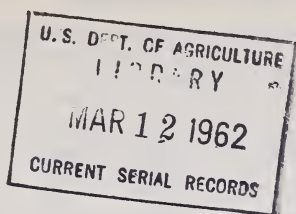


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FEBRUARY 1962
FOR RELEASE
February 28, P. M.

DPS-86

THE DEMAND AND PRICE SITUATION

COMMODITY HIGHLIGHTS

GENERAL AGRICULTURAL SITUATION

FACTORS AFFECTING DEMAND FOR FARM PRODUCTS

FOREIGN DEVELOPMENTS

CURRENT COMMODITY SITUATION

Published monthly by
**ECONOMIC RESEARCH
SERVICE**

**U. S. DEPARTMENT OF
AGRICULTURE**

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1961					1962
		Year	Jan.	Oct.	Nov.	Dec.	Jan.
Industrial production, seasonally adj. <u>1/</u>	1957=100	109	102	113	114	115	114
Final products	do.	112	107	115	117	118	117
Consumer goods	do.	116	110	119	121	123	121
Autos	do.	98	78	102	117	127	114
Equipment, including defense	do.	104	100	107	109	110	108
Materials	do.	106	98	111	111	112	112
Construction: <u>2/ 3/</u>							
Total outlays	Mil. dol.	57,418	56,018	58,905	61,037	59,178	60,114
Public construction	Mil. dol.	17,050	17,443	17,138	18,993	17,237	17,145
Private residential	Mil. dol.	22,494	20,649	24,026	24,504	24,401	24,979
Housing starts, private only	Thousands	1,304	1,127	1,434	1,351	1,309	1,292
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	30,800	28,670	31,790	32,220	32,600	
Durable goods	Mil. dol.	14,590	13,170	15,290	15,640	15,710	
Unfilled orders-sales ratio <u>4/</u>		3.11	3.23	2.91	2.86	2.89	
Inventory-sales ratio, total <u>5/</u>		1.79	1.87	1.72	1.71	1.81	
Durable goods		2.16	2.34	2.05	2.02	2.01	
Employment and wages: <u>6/</u>							
Total civilian employment	Millions	66.8	64.5	67.8	67.3	66.5	65.1
Nonagricultural	do.	61.3	59.8	61.9	62.1	62.0	60.6
Unemployment	do.	4.8	5.4	3.9	4.0	4.1	4.7
Workweek in manufacturing	Hours	39.8	38.9	40.4	40.6	40.6	39.9
Hourly earnings in manufacturing	Dollars	2.32	2.29	2.34	2.36	2.38	2.38
Income and spending:							
Personal income <u>2/ 3/</u>	Bil. dol.	416.7	403.6	425.2	429.3	431.8	430.3
Consumer credit outstanding <u>1/</u>	Mil. dol.	56,850	54,726	54,902	55,451	57,139	
Automobile	Mil. dol.	16,950	17,220	16,913	16,960	16,960	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	18,241	17,773	18,622	19,107	18,863	18,687
Durable goods	Mil. dol.	5,626	5,359	5,900	6,199	5,931	5,813
Inventory-sales ratio <u>5/</u>		1.47	1.51	1.42	1.40	1.42	
Prices: <u>6/</u>							
Wholesale prices, all commodities	1947-49=100	119	120	119	119	119	120
Commodities other than farm and food	do.	128	128	127	128	128	128
Farm products	do.	88	90	87	88	88	90
Foods processed	do.	108	110	108	108	109	110
Consumer price index, all items	do.	128	127	128	128	128	
Food	do.	121	121	121	120	120	
Prices received by farmers <u>7/</u>	1910-14=100	240	241	240	238	240	242
Crops	do.	226	218	226	223	224	224
Livestock and products	do.	251	261	252	250	255	256
Prices paid, interest, taxes and wage rates <u>7/</u>	1910-14=100	301	301	301	301	302	304
Family living items	do.	291	291	291	291	292	293
Production items	do.	266	267	265	265	267	268
Parity ratio <u>7/</u>		80	80	80	79	79	80
Farm income and marketings: <u>7/</u>							
Volume of farm marketings	1947-49=100	134	143	198	176	145	146
Cash receipts from farm marketings	Mil. dol.	34,755	3,077	4,290	3,783	3,192	3,100

Annual data for most of the items for years 1929, 1941 and 1947-60 appears on page 41 of the April issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ Unfilled orders for durables divided by monthly deliveries. 5/ Inventories, book value, end of month, divided by sales. 6/ U. S. Department of Labor. 7/ U. S. Department of Agriculture.

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T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, February 20, 1962

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SUMMARY

Total cash receipts from the marketing of farm products during January increased a little more than 1 percent from the year-earlier total. Both average prices received by farmers and the volume of marketings rose slightly from their 1961 levels. Major gains in receipts were recorded for cattle and calves, hogs, soybeans, and cotton lint and seeds. Receipts for eggs, wheat, oranges, and potatoes were below year-ago levels.

During January, the European Common Market reached agreement on a common agricultural policy which would affect our export markets for agricultural products. Agricultural exports in fiscal year 1961 totaled \$4.9 billion, of which \$1.1 billion went to Common Market countries and an additional \$0.5 billion to the United Kingdom, which also may join the Common Market.

For the overall economy, the favorable trend of business activity faltered somewhat during January. Industrial output, personal income payments, and retail sales declined from December levels, after allowance for seasonal factors. Somewhat offsetting was a rise in construction outlays and a further reduction in the unemployment rate.

COMMODITY HIGHLIGHTS

Cattle prices this spring are expected to hold relatively steady from February levels and likely will be substantially higher than a year ago by early May. In 1961, farm level prices for beef cattle declined \$1.00 per hundredweight from January to May. A prospective increase in beef production will likely be less than the growth in population, resulting in a small decline in beef consumption per person.

Pork production for 1962, however, will be up enough to provide about a pound more pork per person. As a result, hog prices are expected to run below 1961 levels throughout the year. Prices received by farmers for hogs in mid-January averaged the same as the year earlier.

A decreased lamb and mutton production in 1962 foreshadows higher lamb prices for the year, particularly during the early spring period. Mid-January farm prices for lambs were somewhat below a year ago.

Milk production this year is expected to top 1961's record by about 2 billion pounds. Most of the increase will go into manufactured dairy products, particularly butter, cheese, and nonfat dry milk.

Egg prices have generally averaged below year-earlier levels since August 1961, mainly because of increased production. In early February, farmers reported intentions to raise 1 percent more chickens this year than last. As a result of the prospective further rise in output, egg prices in the latter part of this year are likely to be below the second half of 1961.

In mid-February, broiler prices in major Southern producing areas were about the same as the year earlier. With prospective broiler output in the second quarter likely to be less than in 1961, broiler prices are expected to be somewhat higher than at the same time last year, when they declined sharply.

The average price received by domestic growers for shorn wool in mid-January was 3 percent higher than the year earlier. In the first 10 months of the 1961-62 marketing season, prices have fluctuated in a narrow range of 40.5 cents to 42.5 cents, compared with a 1960-61 season average of 42.0 cents.

A high level of exports and a tight withholding policy by farmers in anticipation of higher prices, have reduced the quantity of 1961-crop wheat under support. The 196 million bushels of 1961-crop wheat under support at the end of December was the smallest quantity of any year's crop since 1957.

Heavy exports under Government financed programs, extensive use of the price support program, and some reduction in the 1961 crop have bolstered rice prices. The average price received by farmers for rice in 1961-62 is estimated at \$4.97 per hundredweight, 26 cents above the announced support. The advance national minimum average support price for 1962-crop rice has been set at \$4.71, unchanged from the 1961 level and 29 cents higher than the 1960 rate.

During October-January, feed grain prices averaged 7 percent higher than the year earlier as the result of higher price supports, smaller feed grain production, and generally strong demand for feed. Total domestic consumption of feed grains in October-December was 6 percent higher than a year earlier, indicating 1961-62 will be another year of heavy feed use. The carryover of feed grains at the end of the 1961-62 marketing year is expected to be around 7 million tons below the record carryover of 85 million tons last October.

Soybean supplies for the 1961-62 marketing year are well in excess of probable requirements. The carryover at the end of the marketing year will be up substantially from last year's very small amount. Through December, farmers placed under support about 93 million bushels of 1961-crop soybeans compared with 22 million the same period a year earlier. During the heavy marketing months of October-January, prices to farmers for 1961-crop soybeans averaged 3 cents below the 1961-crop support rate of \$2.30 per bushel.

Mainly as the result of winter freezes reducing prospective supplies, grower prices for oranges and grapefruit for fresh market shipment have increased moderately since mid-January. Allowing for freeze damage, orange production is expected to be about 5 percent larger than in 1960-61 but that of grapefruit, 6 percent smaller.

Cold weather and freezing temperatures also caused some damage to winter vegetables in California and Florida, and heavy damage to the Texas crop. As a result, supplies of fresh vegetables will be smaller this winter than a year ago.

Despite an indicated smaller production of winter potatoes, storage holdings from the large fall crop are depressing the market and prices to growers are expected to continue at relatively low levels.

Exports of cotton during the 1961-62 marketing year are expected to be down considerably from the 6.6 million bales exported last year. Through February 2, registrations under the payment-in-kind program were a little more than 2 million bales less than for the same period last year, reflecting a reduction in cotton consumption and stocks in the foreign free world.

Burley tobacco acreage allotments for 1962 were increased 6 percent compared with 1961. The 1961-62 supply of burley, although about $1\frac{1}{2}$ percent above 1960-61, is otherwise the lowest in 10 years.

Effective in early February, importation of goods of Cuban origin into the United States was prohibited by Presidential Proclamation. Approximately one-fourth of all cigar tobacco used in U. S. cigar manufacture was imported from Cuba. In addition, considerable quantities of fresh vegetables, particularly tomatoes and cucumbers, were imported from Cuba. Shipment of Cuban sugar to the United States was terminated in mid-1960 when the Cuban sugar quota was withdrawn.

*** GENERAL AGRICULTURAL SITUATION ***

The gain in total cash receipts from marketings of farm products that occurred in 1961 continued through the first month of 1962. The preliminary estimate for January indicated a rise of a little more than 1 percent from the year-earlier total as both average prices and the volume of marketings rose slightly from their January 1961 levels.

A substantial increase in marketings of livestock products more than offset a decline in prices, so that cash receipts from livestock products exceeded a year ago by close to 2 percent. Receipts for crops rose slightly, with higher prices a little more than offsetting a reduced volume of marketings. Major gains in receipts were recorded for cattle and calves, hogs, soybeans, and cotton lint and seed. Cash receipts for eggs, wheat, oranges, and potatoes were among items falling below January 1961 totals.

In general, prices of meat animals averaged higher during the month of January than in December. The advance during the month matched the movement a year ago and the index of meat animal prices averaged the same in mid-January as the year-earlier. Beef cattle prices averaged \$20.70 per hundredweight, 10 cents below last January. Federally inspected cattle slaughter in early January was about the same as during the corresponding period of 1961 but then increased about 8 percent during the last half of the month. Hog prices were the same as in January 1961--\$16.50 per hundredweight. During the last half of January, Federally inspected slaughter increased about 5 percent from the year-earlier total, after running below the 1961 total in the first half of the month. Prices to farmers for soybeans and cotton lint and seed in mid-January were substantially higher than on that date in 1961, reflecting higher support rates and a strong demand for oilseeds.

On the downside, prices for eggs were 8 percent lower than a year ago as egg production continued above output in the corresponding month of 1961. A larger laying flock coupled with a higher rate of lay yielded 2 percent more eggs in December-January than a year earlier. Potato prices during January averaged substantially lower than in 1961--\$1.13 per hundredweight compared with \$1.90. Although the indicated production for winter potatoes is 15 percent less than the 1961-winter crop, supplies of old crop potatoes are at record levels. Orange prices in mid-January averaged substantially lower than a year ago, \$2.15 per box versus \$3.17. Prices since mid-January have advanced due to freeze damage to the crop. Indicated total production for the 1961 crop exceeds the previous year's output by 5 percent.

Agriculture and the Common Market

On January 14, the European Common Market reached an agreement on a common agricultural policy which will affect a large segment of U. S. agricultural exports. Agreement on a common agricultural policy -- within four years--was provided for by the Treaty of Rome of 1957 which created the European

Common Market. The treaty also provided for association with the Common Market, formally known as the European Economic Community (EEC) of certain non-European countries (former colonies) and territories which maintained special economic and political relationship with France, Belgium, the Netherlands, and Italy. The Common Agricultural Policy (CAP) agreed to on January 14, 1962 by the six members of the European Common Market--France, Italy, Western Germany, Belgium, Luxembourg, and the Netherlands--strengthened the prospects for further steps toward full economic and possibly political integration.

The Treaty of Rome set as the objectives of CAP: (1) Higher agricultural productivity; (2) higher farm income; (3) stable markets, insulated from fluctuating world prices; (4) regular supplies; and (5) reasonable prices to consumers. The final goals of CAP include: (1) Uniform price supports for farm commodities among member countries, and the free movement of these commodities within the Common Market; (2) a common commercial policy, including tariffs, on imports from nonmembers; (3) variable import levies to equalize import prices with those prevailing within the Common Market, and in some cases import quotas; (4) a common fund to finance price support activities, export subsidies, modernization of agriculture, relocation of surplus labor, etc.; and (5) the replacement of certain national organizations with supra-national Commissions which will set policies and programs for all members.

The major commodities ultimately subject to direct and intensive intervention in the internal markets by the Commissions include grains, sugar, and dairy products. For other livestock products (beef, pork, poultry, and eggs) common goals are to be achieved largely through import regulation. For fruits, vegetables and wine, improvements in marketing and domestic supply regulation are planned; members will continue individual import controls on fruits and vegetables. Common policies will also apply to fats and oils, and tobacco. The commodities listed above account for 90 percent of the agricultural output of the EEC.

Most industrial raw materials such as cotton, wool, soybeans, hides, and tallow, as well as certain fruits and vegetables, are entirely or almost entirely imported. U. S. exports of these commodities are likely to increase as the Common Market continues its growth.

The Foreign Agricultural Service has published a provisional summary of the measures agreed to on January 14. ^{1/} Regulations concerning most grains, poultry, pork, eggs, fruits, vegetables and wine are to take effect July 1, 1962. Subsequent action, effective around the end of 1962 will be taken with respect to dairy products, beef and sugar. An abstract of the provisional agreement with respect to grains and poultry is as follows:

Between July 1, 1962 and January 1, 1970 (the transitional period) each member will charge a levy on imports of grains (except rice) from other members which would equalize prices between exporting and importing member countries. Each member would also charge a levy on imports from nonmembers to equalize the difference between prices in the importing country and the lowest world market price, c.i.f. in the principal port of importation. After January 1, 1970 there will be no levies on trade among members as a common internal price will be in

^{1/} USDA, Foreign Agricultural Service, "New Agricultural Policy Decisions of the European Economic Community (Common Market)," February 1962. 6 pp.

effect and there will be a uniform levy on imports from nonmembers. All trade will be under export and import licensing. Quotas, mixing regulations and state trading will be prohibited. Relief may be granted from the foregoing provisions (escape clause) during the transitional period.

On poultry meat a levy will be charged on imports consisting of: (1) A fixed amount equal to the current intramember tariff with a permissible minimum of 6 percent; and (2) a variable amount reflecting the difference in feed grain prices in the exporting and importing country. On trade between members this levy applies only to the transitional period. On imports from nonmembers, in addition to the import levy there will be a 2 percent fee in 1962-63 to be increased gradually to 7 percent. Reductions in relative levies on a nonmember by a member will have to be passed on to other members. Finally, "lock-gate" prices can be established by unanimous decision in case other measures do not offer sufficient protection. These would be based on the cost of production of poultry (at world feed grain prices) in the nonmember exporting country. The levy on imports offered below the "lock-gate" price would be increased by the difference. Export subsidies are provided for; import quotas among members--and possibly all import quotas--are to end July 1, 1962. Provisions for eggs and pork are similar to those for poultry.

For commodities not covered by variable levies or other special safeguards minimum import prices may be established by a member country during the transitional period, under certain specified conditions. Imports at prices below the minima could be restricted or suspended, for given periods, providing that imports from other members still have a preference over imports from nonmembers.

Agreement among members of the Common Market on the prices underlying the CAP has been difficult to negotiate. Farmers make up one-fourth of the total labor force in the 6 countries, and despite high support prices and protection from imports, the disparity between farm and nonfarm income has increased during the past 4 years. Countries such as France, which export grain, or the Netherlands, which export livestock products, have pressed for a lower level of price than Germany, where agriculture has become accustomed to a relatively high level of support. The agreement on grain prices reached January 14, provides that for 1962-63 each member will set its so-called "target" prices within a range reflecting present prices in the Common Market. Intervention prices (support) will be 5-10 percent below target prices. Beginning with the 1963-64 marketing year, progressive reductions of the differences between prices in member countries has as its objective a single Common Market target price by January 1, 1970.

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: The next issue of the Demand and Price Situation is :
: scheduled for release March 29, 1962. :
:

The import levies which are designed to protect the farm price structure in some member countries will tend to offset any competitive advantage that outside suppliers may have. Moreover, the levies will give preference to imports from members and limit imports from nonmembers both before and after the common price level is achieved. Thus it could tend to stimulate agricultural production within the Common Market and in the long-run to reduce the need for imports from nonmembers. For this reason the question of a continuing large market for major U. S. exports in the Common Market, for such commodities as grains and poultry, will have to be the subject of intensive and continuing negotiation. The stake of United States agriculture in maintaining access to the Common Market is illustrated in Table 1.

Of the \$4.2 billion average U. S. farm products exported during the 3 calendar years 1958-60, nearly \$1 billion went to the Common Market. Most of these were dollar sales and equaled about 1/3 of total dollar sales, over half the dollar sales of feed grains and vegetable oils, 45 percent of cotton, around 40 percent for soybeans, poultry and shell eggs, and 26-28 percent for tobacco, wheat and flour, and lard and tallow. If, as appears likely, the United Kingdom joins the Common Market, the stakes are even higher. The value of U. S. farm exports to the seven countries equaled one-half of total dollar sales during 1958-60. 1/

The average of \$1.4 billion in farm exports to the Common Market and the U. K. during 1958-60 compared with farm imports from these countries of \$240 million. The net dollar receipts from agricultural trade with these countries was equal to 24 percent of the total U. S. merchandise trade surplus and thus made a significant contribution to the U. S. balance of payments.

The long-run impact of the CAP in U. S. farm exports will depend in part on: (1) Its implementation with respect to the common price level and the type and level of controls to be levied on imports from nonmembers; and (2) the countries whose output will have a preferential position in the entire Common Market or in particular countries, either through membership or special arrangements including purchase agreements. However, as seen in table 2, while the U. S. is the principal outside supplier of the Common Market for a number of commodities, other presently nonassociated areas have an even larger share of this market. For certain commodities the Soviet bloc is an important supplier, for others, Latin America, or the Sterling area. Higher domestic consumption in some competing exporting countries, and East-West trade relationships will be among the foreign developments which in the long run will also affect the volume of U. S. farm exports to Europe.

1/ Application for full membership has been made by the United Kingdom, Denmark, and Norway. Other European countries are considering either full membership or associate membership such as that signed by Greece in July 1961.

Table 1.--U. S. Agricultural Exports, total and dollar sales, and exports to the Common Market and the United Kingdom, with comparisons, average for calendar years 1958-60

Commodity	Agricultural exports to all areas		Agricultural exports to--	
	Total	Sold for dollars	The Common Market <u>1/</u>	United Kingdom
	Mil. <u>dol.</u>	Mil. <u>dol.</u>	Mil. <u>dol.</u>	Mil. <u>dol.</u>
Wheat and flour <u>2/</u>	789	237	62	37
Feed grains <u>2/</u>	509	381	199	115
Cotton, raw	694	465	208	57
Tobacco, unmanufactured	360	311	87	127
Fruits and vegetables	385	380	62	34
Soybeans	272	250	95	8
Vegetable oils, expressed	187	81	35	3
Lard and tallow	156	147	41	28
Dairy products <u>2/</u>	95	61	5	2
Poultry and eggs	58	56	18	1
Meats and products	59	59	15	4
Hides and skins	65	63	19	2
All other	580	395	105	30
Total agricultural exports	4,209	2,885	951	448
Total agricultural imports	3,968	3,968	215	25
Net agricultural exports	241	-1,083	<u>3/</u> 736	<u>3/</u> 423
Total U. S. exports	18,459	17,135	2,716	1,024
Total U. S. imports	13,553	4/13,553	1,860	994
Net total exports	4,906	3,582	856	30

1/ France, Italy, Western Germany, Belgium, Luxembourg, and the Netherlands.

2/ Excludes exports for relief and charity which are included under all other.

3/ These figures exclude U. S. agricultural trade with the Associated Overseas Territories of Common Market countries and the United Kingdom. U. S. purchases of coffee, cocoa, tea, rubber, etc., from these territories about equals U. S. agricultural imports from the metropolitan countries. About three-fifths of the value of farm imports from these territories is offset by U. S. agricultural exports to them.

4/ Excludes allowance for barter transactions.

Bureau of the Census and Economic Research Service.

Table 2.--Western Europe: Agricultural imports by source,
average for calendar years 1958-60

Commodity	6 Common Market						18 Western European Countries (OEEC) 2/					
	Countries (EEC) 1/			Source of imports:			Source of imports			Non-OEEC:		
	Total	EEC	Per-	United	All	Total	OEEC	sterling	United	Per-	Per-	Per-
	imports:	3/	cent	States:	other:	imports:	3/	area	States:	cent	cent	cent
	Mil.	Per-	Per-	Per-	Per-	Mil.	Per-	Per-	Per-	Per-	Per-	Per-
	dol.	cent	cent	cent	cent	dol.	cent	cent	cent	cent	cent	cent
Grains and preparations	919	14	28	58	1,801	16	8	30	22	24		
Animal feed	254	26	13	61	530	38	13	6	4	39		
Cotton, raw	4/605	2	31	67	4/880	5/	5/	31	6/	5/		
Tobacco and manufactures	238	15	34	51	575	19	18	46	4	13		
Fruits and vegetables	1,167	46	5	49	2,087	53	11	6	6/	30		
Oilseeds	512	22	24	54	753	44	4	20	7	25		
Animal and vegetable fats and oils	419	21	23	56	651	48	8	19	1	24		
Meats and products	376	34	9	57	1,340	43	23	4	6/	30		
Dairy products, eggs and honey	423	49	2	49	918	54	30	1	1	14		
Hides and skins	322	17	9	74	493	33	28	9	3	27		
Live animals	237	22	6/	78	393	79	6/	6/	1	20		

1/ France, Italy, Germany, Netherlands, Belgium, and Luxembourg.

2/ Countries under 1/ above, plus the United Kingdom, Norway, Sweden, Denmark, Iceland, Ireland, Austria, Portugal, Turkey, Greece, Switzerland, and Spain.

3/ Imports from EEC include imports from French Associated Overseas Territories. Imports from OEEC include imports from all Associated Overseas Territories.

4/ 1958 and 1959 average.

5/ Has not been calculated.

6/ Less than 0.5.

Organization for Economic Co-operation and Development, Statistical Bulletins on Foreign Trade, Series B and C.

FACTORS AFFECTING DEMAND
FOR FARM PRODUCTS

The favorable trend of general business activity from the first quarter of 1961 faltered somewhat during January. After allowance for seasonal changes, industrial output, personal income payments, and retail sales declined from December levels. Somewhat offsetting was a rise in construction outlays and a further reduction in the unemployment rate.

The 1 percent decline during January in industrial production largely reflected a decrease in auto output after the extremely good December mark. Since the low for economic activity in February 1961, the index of industrial production has increased 12 percent with iron and steel production up by almost 50 percent. The strong advance mirrored the pickup in automobile and truck output during 1961 and early 1962. Demand for steel is also being buoyed, to some extent, by hedge-buying against the threat of a midyear strike in the steel industry. The Annual Report of the President's Council of Economic Advisers, issued in mid-January, pointed out that in the absence of a prolonged strike, the main effect of stockpiling steel would be on the pattern of economic activity during the year. Although the year-end levels and the full year totals for the gross national product might not be seriously affected by the stockpiling action, the second quarter would be stronger and the third quarter correspondingly weaker. This abnormal factor in inventory behavior, the report pointed out, would increase the difficulties of appraising the real strength of the economy.

Also somewhat offsetting the foreward movement of business activity, retail sales and personal income payments in January fell slightly below December levels. The small decline in personal income receipts primarily reflected the absence in January of two special factors that had bolstered the December income flow. In that month, an unusually large volume of year-end corporation extra and special dividends and a special insurance dividend to veterans of the Korean conflict had added almost a billion dollars, at a seasonally adjusted annual rate, to total personal income. Part of the January decline also resulted from some reduction in wage and salary disbursements and farm proprietors' income.

The decline in retail sales in January followed a decrease during December, and reduced sales, after allowance for seasonal factors, to a level a little more than 2 percent below November 1961. Nevertheless, retail sales in January were substantially above the low level that occurred in the first quarter, 1961, recession trough. With incomes at record levels, and consumer attitudes generally favorable, the halt in the upward trend of sales is not expected to continue.

On the plus side, construction expenditures in January gained moderately from December, apart from seasonal changes. Expenditures have trended upward since last spring as outlays for private residential (nonfarm) building, which make up about two-fifths of outlays, increased about 16 percent, over the period. Other private components were about unchanged and Federal, State, and

local Government construction expenditures increased about 3 percent from the second quarter of 1961 to January 1962. Despite the advance in outlays, private housing starts, seasonally adjusted, declined from the 1960-61 peak reached in November of last year. Private starts in January after seasonal allowances, were at an annual rate of 1,292 thousand units compared with 1,351 thousand units in November 1961. If mortgage funds remain readily available, however, gains in household incomes are likely to strengthen the demand for new homes in coming months.

As economic activity expanded steadily from the 1960-61 recession low last February, employment increased, but at a slower rate than for earlier postwar periods of economic recovery and expansion. The recession, however, was the shortest and mildest of the postwar recessions and employment declined less than in the earlier recession periods. The number of workers employed in January was 67.3 million on a seasonally adjusted basis. The change from the previous month was about seasonal, but employment was some 500,000 higher than at the recession low. The principal advance was in durable goods manufacturing, reflecting the recovery in steel and auto output.

The gain in employment over the year coupled with the recent decline in the size of the labor force led to a substantial improvement in the unemployment rate since October. The seasonally adjusted rate of unemployment declined to 5.8 percent in January, the lowest in 16 months. Unemployment held close to 7 percent of the civilian labor force in the first 10 months of 1961 as changes in employment were offset by changes in the size of the labor force. During the past 2 months, however, employment changes were about seasonal, but the civilian labor force declined more than seasonally so that there was a complete lack of growth in the civilian labor force from the previous year. Part of the explanation for the lack of growth lies in the expansion of the armed forces, an accelerated rate of retirement of older men in the labor force and, in the fourth quarter of 1961, a failure of middle-aged women to enter or remain in the labor force to the same degree as previously.

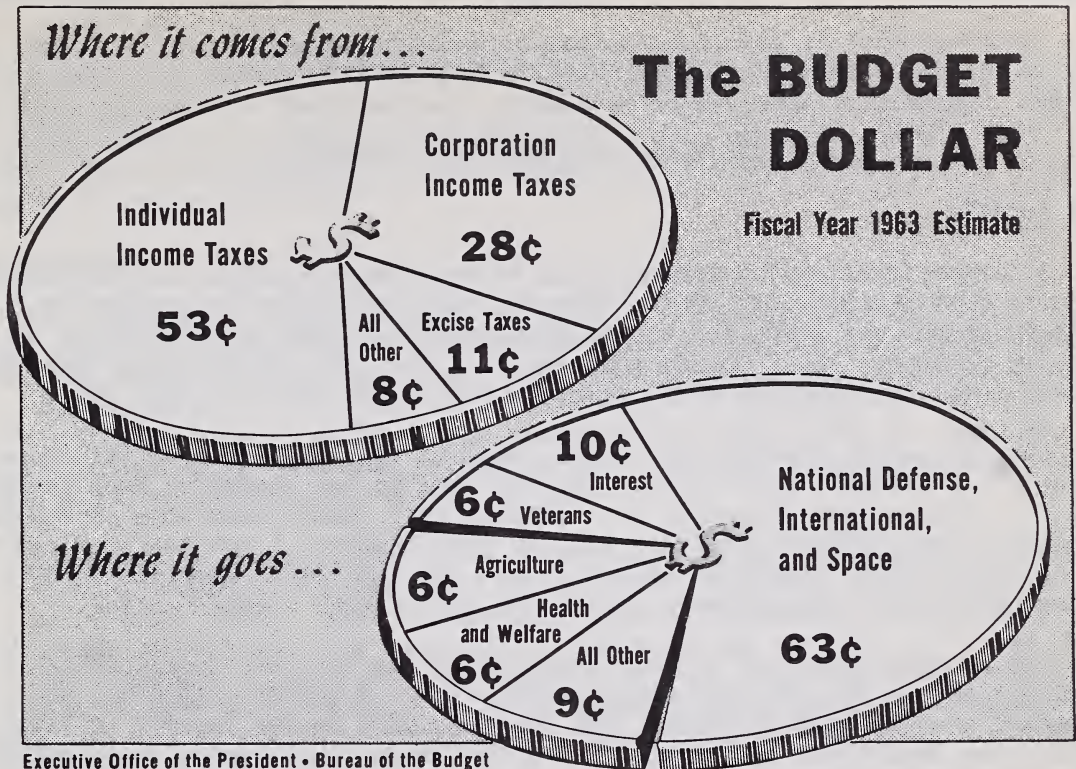
The general improvement in economic activity since early last year has been achieved without any undue pressure on the overall structure of prices. The 7.4 percent increase in the gross national product from the first to the fourth quarter of 1961 was accompanied by a rise of less than 1 percent in the level of prices as measured by the Department of Commerce's implicit GNP price deflator. This relative price stability is about the same as experienced in the 3 quarters after the 1954 business trough. Prices rose somewhat more after the 1958 trough, and declined after the 1949 recession. The price experience in this recovery largely reflects a fall in prices for nondurable consumption items, principally food. The index of urban retail prices of food declined nearly 1 percent between the first and fourth quarters of 1961 compared with increases of more than 1 percent in retail prices of services and commodities less food. January 15 prices paid by farmers for food and to bacco averaged slightly higher than in December and the same as a year earlier.

Table 3.--Selected changes in economic activity, 1961-62

Item	:	:	:	:	:	:	Latest month	:	:	Percentage change from February 1961
Industrial production <u>1/</u>	:	:	:	:	:	:		:	:	
Iron and steel	:	:	:	:	:	:	January	:	:	11.8
Autos	:	:	:	:	:	:	January	:	:	46.4
	:	:	:	:	:	:	January	:	:	56.2
Construction expenditures <u>2/</u>	:	:	:	:	:	:		:	:	
Private residential	:	:	:	:	:	:	January	:	:	7.9
Other private	:	:	:	:	:	:	January	:	:	24.8
Public	:	:	:	:	:	:	January	:	:	.2
	:	:	:	:	:	:	January	:	:	-3.4
Housing starts <u>2/</u>	:	:	:	:	:	:		:	:	
	:	:	:	:	:	:	January	:	:	10.5
Retail sales <u>1/</u>	:	:	:	:	:	:		:	:	
Durables	:	:	:	:	:	:	January	:	:	5.1
Nondurables	:	:	:	:	:	:	January	:	:	9.4
	:	:	:	:	:	:	January	:	:	4.0
Labor force, civilian <u>1/</u>	:	:	:	:	:	:		:	:	
Employed	:	:	:	:	:	:	January	:	:	-7
Unemployed	:	:	:	:	:	:	January	:	:	.9
	:	:	:	:	:	:	January	:	:	-16.0
Consumer price index	:	:	:	:	:	:		:	:	
Food	:	:	:	:	:	:	December	:	:	.5
Commodities less food	:	:	:	:	:	:	December	:	:	-8
Services	:	:	:	:	:	:	December	:	:	.9
	:	:	:	:	:	:	December	:	:	1.4
Wholesale price index	:	:	:	:	:	:		:	:	
Farm products	:	:	:	:	:	:	January	:	:	-2
Processed food	:	:	:	:	:	:	January	:	:	-3
	:	:	:	:	:	:	January	:	:	-6

1/ Seasonally adjusted.2/ Seasonally adjusted annual rates.

Federal Reserve Board and U. S. Departments of Labor and Commerce.



Against the background of a year of strongly rising output and relative price stability, the President last month transmitted his budget recommendations for the fiscal year 1963, beginning next July 1. Recommended budget expenditures total \$92.5 billion--an increase of \$3.4 billion over the amount estimated for fiscal year 1962. More than three-quarters of the increase is accounted for by national security and space activities, and the bulk of the remainder by fixed interest charges. Expenditures for agriculture and agricultural resources are estimated to decline from \$6.3 billion in fiscal 1962 to \$5.8 billion in fiscal 1963. Almost the entire reduction is linked to new legislation proposed for farm income stabilization and food for peace. Budget receipts are estimated to total \$93 billion, an increase of \$10.9 billion over the estimated present fiscal year total. The administrative budget for 1963 thus shows a surplus of about \$500 million.

More useful measures of the economic impact of Federal activities are obtained by examining the consolidated cash statements of the Federal Government and the Federal sector in the national income accounts. The consolidated cash statement combines the administrative budget with other Federal activities, mainly the social security, highway, and other trust funds. On this basis, the Federal surplus for fiscal year 1963 is estimated at \$1.8 billion. In terms of the framework of the national income accounts--using accrued rather than cash receipts and expenditures, and including only transactions directly affecting production and income--the Federal surplus is estimated at \$4.4 billion. The accumulation of a surplus of the indicated size in the national income and product account would be a strong mitigating force on inflationary pressures.

CURRENT COMMODITY SITUATION

LIVESTOCK AND LIVESTOCK PRODUCTS

Meat Animals

A larger inventory of livestock on farms January 1 points to increased production of red meat in 1962. However, with population increasing by 3 million persons per year, per capita consumption of meat is expected to be slightly below the 161.2 pounds consumed in 1961. The average diet this year probably will include less beef, lamb and mutton but more pork and veal.

Cattle numbers reached the record level of 99.5 million head this January--up 2.2 percent from the 97.3 million head in the inventory last January. Beef cow numbers were increased by 1 million head, while milk cows decreased slightly. The inventory included 200,000 more heifers, 1 million more calves and about the same number of steers 1 year old and over. Feedlots in 37 States contained 3 percent more cattle and calves than a year earlier.

The inventory gain of 2.2 million head during 1961 was considerably greater than the 900,000 head added during 1960. A larger calf crop, a decreased cow and calf slaughter, and substantially larger imports of live cattle from Canada, due to drought in Western Canada last summer, and Mexico contributed to the inventory gain.

Commercial cattle slaughter for 1961 exceeded 1960 slaughter by 1.5 percent, but with a heavier average dressed weight per animal slaughtered, beef production was up by almost 4 percent. This year the reverse situation is expected. Commercial slaughter is expected to be up 3-4 percent, but beef production likely will increase by a smaller percentage.

Cattle prices are currently close to year-earlier levels. Last year the price for Choice slaughter steers at Chicago dropped by almost \$2.00 during March and April. Price this year is expected to hold relatively steady and likely will be substantially above the year-earlier level by early May.

The number of hogs on farms January 1 was up 3 percent from 1961. The gain reflected a 4 percent increase in the 1961-fall pig crop and reported intentions to farrow 3 percent more sows in this year's spring pig crop. Pork production for 1962 is expected to be up about 2.5 percent--an increase sufficient to provide about a pound more per person. The price of slaughter barrows and gilts at eight Midwest markets for the week ending February 10 averaged \$1.38 per 100 pounds under last year's price and is expected to continue below year-earlier levels throughout the year.

The January 1 inventory of sheep and lambs was reported at 31.4 million head--down 5 percent from the 32.9 million head in last year's inventory. This sharp reduction was due to a slaughter of 17.2 million head in 1961. This is the largest sheep and lamb slaughter of any year since 1947. The sheep and lamb inventory this year includes 4 percent fewer ewes and 6 percent

fewer lambs on feed. The combination of fewer fed lambs and a prospective smaller lamb crop is expected to result in decreased lamb and mutton production and higher lamb prices for the year. In mid-February, Choice slaughter lambs at Chicago averaged \$17.65 per hundredweight, about 50 cents under a year earlier. Prices are expected to rise during the next two months and by early spring to be above last year.

Dairy Products

Milk production in 1961 reached a record 125.5 billion pounds, while commercial sales of milk and dairy products declined. Output rose because milk cow numbers dropped only slightly and milk production per cow increased 3 percent. Contributing to the gain was the favorable relationship of milk prices to feed and beef cattle prices. Milk production in early 1962 was averaging about $2\frac{1}{2}$ percent above the same period in 1961. For the year as a whole, conditions point to another increase in output.

Consumption of milk in all forms, excluding consumption from CCC donations and the School Lunch and Special Milk Programs, fell about 2 billion pounds of milk equivalent in 1961. When consumption from CCC donations and the National School Lunch and Special Milk Programs is included, the decline was about one-half billion pounds. Consumption per person of fluid milk and cream fell from 325 pounds in 1960 to 314 pounds in 1961. Fluid milk consumed in the National School Lunch and Special Milk Programs was 4.6 percent of the total fluid milk and cream used.

Among major dairy products only American cheese showed increased per capita consumption, rising from 5.4 pounds in 1960 to 5.6 pounds in 1961. Other cheese fell from 3.0 to 2.9 pounds per person; condensed milk remained unchanged, while other products declined. Consumption of butter fell from 7.5 to 7.4 pounds per person, even though the use arising from CCC and related programs increased from 0.5 to 0.9 pounds per person. Indications are that milk consumed as a result of CCC donations and the School Lunch and Special Milk Programs will increase in 1962.

More milk was available for manufactured products last year than in 1960. Practically all of the gain in milk output was used in the price-supported commodities, butter, cheese, and nonfat dry milk. Butter production was 9 percent above 1960; American cheddar cheese production, 15 percent; and nonfat dry milk, 11 percent. Butter output in January was about 18 percent over last year's level, and cheese was only slightly lower than last January's unusually high production.

With the decline in total consumption and the increase in production, USDA price support purchases of dairy products rose from 3 billion pounds of milk equivalent in 1960 to 8 billion pounds in 1961. About 6.5 percent of the milkfat and 10 percent of the solids-not-fat produced were bought by USDA. Increased purchases are in prospect for 1962. In addition, commercial storage stocks at the end of 1961 were at an all-time record--4.9 billion pounds of milk equivalent, about 0.8 billion pounds more than closing inventories in 1960.

With supplies so much in excess of demand, prices paid to farmers for milk are falling seasonally and more rapidly than last year. Prices for dairy products will likely be in line with support prices, and farmers' prices for milk used for manufacturing probably will be at or very close to support levels. The Secretary of Agriculture, according to law, is required to support the price of milk and butterfat to farmers at 75 to 90 percent of parity.

Poultry and Eggs

Egg prices moved higher during most of January but weakness developed at the end of the month. In mid-February, quotations in most major markets were close to the mid-January, and below the year-earlier level. Farmers received an average price of 35.4 cents per dozen on January 15, compared with 38.6 cents on the same date in 1961.

On February 1, about 1 percent more layers were in the nation's laying flock than on February 1, 1961, but egg output per layer was 1 percent lower and the total rate of egg production was about unchanged. In December and particularly in January the rate of lay was adversely affected by extremely severe winter weather. The bad weather was mostly concentrated in the important West North Central Region in December, but in January it prevailed over most of the country.

After mid-year, the level of egg production will be importantly influenced by the number of flock replacements raised. In February, farmers stated their intentions to raise 1 percent more chickens this year than last. Such an increase would probably result in a larger egg output and lower prices in the second half than in the same period last year. Compared to a year ago, 8 percent less egg-type chicks were hatched this January and 17 percent fewer eggs were in incubators as of February 1. However, the main hatching season does not begin until late March.

Supplies of broilers in the first quarter will probably be about the same as a year earlier. This is suggested by the recent level of slaughter and hatchery activity. Last year in the second quarter, output increased much more than seasonally triggering off a precipitous price decline. A repetition of last year's experience seems unlikely. Output in the second quarter this year will be seasonally higher, but probably somewhat under the 1961 level; consequently broiler prices are expected to be somewhat higher than in the same period last year. In mid-February, broiler prices in major southern producing areas were about 15-16 cents a pound, about the same as a year ago.

Stocks of frozen turkey on February 1 totaled 254 million pounds, 32 million pounds more than on the same date in 1961. These large holdings are likely to keep turkey prices significantly below a year ago over the next few months and to lead to a substantial increase in consumption during this period. The greater consumption, together with reduced production in the second quarter will help to reduce inventories, but nevertheless, larger stocks than in 1961 are likely to be carried into July when the build-up of storage stocks for the main marketing season begins. In mid-January, producers received an average of 18.2 cents per pound for turkeys, compared with 18.6 cents a month earlier and 25.4 cents a year earlier. As of January 1, turkey producers expressed their intentions to raise 12 percent fewer birds this year than last.

Wool

World wool prices increased moderately in late January and February after a relatively firm reopening of sales in mid-January. Japan and the European countries were relatively large buyers in the Australian auctions. French and U. S. buyers were active in the South African markets. This moderate upward trend in prices can be expected to continue until late Spring reflecting an anticipated small increase in mill use and a relatively low stock position.

The small volume of available domestic wool has limited sales activity during recent months in the Boston market, where prices have remained stable. In early February, fine and medium wool prices were 2 to 6 percent above a year earlier, while those of the coarser wools were the same to slightly less. The average mid-month price received by domestic growers for shorn wool during the first 10 months of the 1961-62 marketing season has varied in the narrow range of a high of 42.5 cents per pound, grease basis, in May to a low of 40.5 cents in November. The January 1962 mid-month price was 41.1 cents compared with 39.9 cents in January 1961.

U. S. mill consumption of raw wool during 1961 totaled 409.9 million pounds, scoured basis, 1 percent more than in 1960. Apparel wool mill use amounted to 262.9 million pounds, 8 percent more than the 244.3 million in 1960. Mill use of carpet wool totaled 147.0 million pounds, 10 percent less than the 162.7 million in 1960.

The raw wool equivalent of wool textile products amounted to net imports of 114.1 million pounds during the first 11 months of 1961, 3 percent less than the 118.1 million during the same period of 1960. Fewer imports of woven fabrics, tops, and carpeting and rugs more than offset increases in imports of other wool textile products as exports remained about the same.

Reflecting the increasing demand for apparel items and carpeting, imports of raw wool increased during 1961. Imports of dutiable wool totaled 90.3 million pounds, clean content, during 1961, 22 percent more than the 74.3 million in 1960. Duty-free imports of raw wool amounted to 157.4 million pounds, 2 percent more than 153.9 million imported in 1960.

CROPSWheat

Cash wheat prices at terminals on February 14 continued near or above the effective support, although down from the high levels of early December. The price strength this year is the result of the high level of exports and the withholding policy of farmers in anticipation of higher prices through the increased price support rate and the acreage retirement program in effect for the 1962 crop.

On February 20, the price of No. 2 Hard Red Winter, ordinary protein, at Kansas City at \$2.05 per bushel and No. 2 Soft Red Winter at St. Louis at \$2.04 were 2 cents and 3 cents, respectively, above the support level. The Minneapolis price of No. 2 Hard Red Spring, ordinary protein, at \$2.38 per bushel was 23 cents above support, while the price of No. 2 Hard Amber Durum at \$3.12 was 88 cents above support. The high prices of hard spring and durum reflect the short 1961 production of these classes of wheat.

Through December 31, growers had placed 247 million bushels of 1961-crop wheat under price support compared with 371 million a year earlier. In addition, farmers had repaid price support loans on 51 million bushels of 1961-crop wheat, leaving about 196 million under support at the end of December. This is the smallest quantity of any year's crop since 1957 to be under support at the end of December.

Domestic disappearance of wheat in 1961-62 is estimated at 590 million bushels, down slightly from a year earlier. Exports are estimated at 675 million, compared with 662 million in 1960-61. With total supplies estimated at 2,655 million bushels, about 1,390 million would be carried over on July 1, 1962, compared with 1,412 million a year earlier.

Rice

The rice carryover at the end of the 1961-62 marketing year is estimated at 6.5 million cwt., rough rice, down from the 10.1 million on hand August 1, 1961. Such a carryover would be less than one-fifth the size of the record 34.6 million carried over on August 1, 1956.

The domestic rice supply in 1961-62 is estimated at 64.0 million cwt., consisting of the carryover on August 1, 1961, of 10.1 million cwt., production of 53.7 million cwt., and imports of 0.2 million. Exports are tentatively estimated at 30.0 million cwt., only slightly above 1960-61. Domestic disappearance in 1961-62 is estimated at 27.5 million cwt., slightly above 1960-61.

On January 23, producers approved rice marketing quotas for 1962 by a 94.2 percent vote, according to preliminary returns. The 1962 acreage allotment was increased by 10 percent to 1.8 million acres to assure adequate rice supplies to meet export needs.

A crop of 59.6 million cwt. would be produced in 1962 on the allotted acres if yields were average. This crop added to the estimated August 1, 1962 rice carryover of 6.5 million cwt. and estimated imports of 0.3 million cwt. results in a total supply of 66.4 million cwt. for the 1962-63 marketing year.

Domestic disappearance is estimated at 27.6 million cwt., about the same as the estimate for 1961-62. Exports in 1962-63 are projected at about 32.2 million cwt., a little more than the estimate for 1961-62 but substantially above the 1955-59 average. On this basis, the carryover of rice on August 1, 1963, may be about the same as the 6.5 million estimated for August 1, 1962.

The average price received by farmers for rice in 1961-62 is currently estimated at \$4.97, which is 26 cents above the support of \$4.71. In 1960-61, the price averaged \$4.55 per cwt., 13 cents above the average support of \$4.42. The principal factors underlying the strength in rice prices in 1961-62 are heavy exports under Government financed programs, extensive use of the price support program, and some reduction in the 1961 crop.

The advance national minimum average support price for 1962-crop rice was announced January 8 at \$4.71 per cwt., the same as for the 1961 crop. This was 78 percent of the January 1962 rice parity price.

Feed Grains

The total supply of feed grains for 1961-62 is now estimated at 226 million tons, or about 5 million tons below the record supply last year. While the 1961 crop of feed grains, totaling 141 million tons, was 15 million tons below 1960 production, this was offset to a considerable extent by a 10 million ton increase in carryover stocks.

The high rate of feed grain disappearance in October-December indicates that 1961-62 will be another year of heavy feed use. Total domestic consumption of the four feed grains was 6 percent greater than in the first quarter of 1960-61. Exports totaled 3.6 million tons, 3 percent above the same quarter in 1960. Total stocks on January 1 were reduced to 175 million tons, 7 million less than a year earlier. Allowing for the heavy first quarter disappearance, it now appears probable that total disappearance of feed grains in 1961-62 will be a little above that of 1960-61. The total carryover into 1962-63 is expected to be reduced to around 78 million tons, 7 million below the record carryover of 85 million tons at the beginning of 1961-62.

Domestic use of corn during October-December was 12 percent above a year earlier, more than offsetting smaller disappearance of the other feed grains. Corn exports set a new record of nearly 97 million bushels. Total disappearance of corn in 1961-62 is expected to be above the 1960-61 level, and carryover next October 1 is expected to be reduced to around 1,800 million bushels, about 200 million below the carryover into 1961-62. Smaller carryover stocks of oats and barley also are in prospect, while the carryover of sorghum grain may total near the 702 million-carryover on October 1, 1961.

Feed prices averaged somewhat higher this fall and winter than in the same period of 1960-61, influenced by higher price supports, smaller feed grain production, and generally good demand for feed, especially from hog and cattle feeders. During October-January feed grain prices averaged 7 percent higher than in that period of 1960-61 and high-protein feeds were up 12 percent. The average price received by farmers for corn advanced only 1 cent per bushel from the season's low in November to January this year, much less than the 10 cent rise in that period of 1960-61. The mid-January price averaged 95 cents per bushel, 1 cent lower than a year earlier, and 25 cents below the 1961 support rate. Delayed harvesting and marketing of corn in the Corn Belt and heavy sales of CCC corn in December and January have contributed to the flattening of corn

prices this fall and winter. Through February 2, CCC had sold 515 million bushels of corn and sorghum grain against certificates under the 1961 Feed Grain Program. The value of these sales is about 66 percent of the total value of the certificates issued.

Prices received by farmers for sorghum grain averaged \$1.65 per cwt. in January, 19 cents higher than a year earlier, but still 28 cents below the national average support for the 1961 crop. Oat prices in mid-January averaged 11 percent higher than a year earlier and barley prices were up 26 percent. Prices of each of these grains are above average in relation to corn prices.

Sign-up for the 1962 Feed Grain Program is now in progress. The basic provisions of the 1962 program are essentially the same as for the 1961 program except that it has been expanded to include barley. The sign-up period for farmers producing corn, grain sorghum, and spring seeded barley is from February 5 through March 30. The period for fall seeded barley was from September 15 to December 1. Farmers in the fall seeded barley area signed up for diversion of 1,193,000 acres of barley to soil conserving uses, about 23 percent of estimated total acreage in the fall seeded area. The base acreage of the producers was 2,479,000, a little less than half of the estimated total of 5.2 million acres of fall seeded barley.

Oilseeds, Fats and Oils

Prices to farmers for 1961-crop soybeans were relatively stable during the heavy marketing months of October-January, averaging \$2.27 per bushel, 24 cents above the same months in 1960-61 but 3 cents below the 1961-crop support rate of \$2.30 per bushel. Although soybean crushings and exports are at a new peak, the 1961-62 supply is greater than probable total market outlets.

Prospects are that prices to farmers probably will continue to average around the support level, possibly advancing only to reflect storage costs. The CCC is expected to take over a substantial amount of soybeans on June 1, 1962, and its resale price will be at least 16.5 cents per bushel over the \$2.30 loan rate during the summer. The CCC sales price will tend to become the market price at that time as soybean crushers and exporters turn to the Government for supplies to meet commitments for the remainder of the marketing year. This has usually been the case in years of substantial takeover of soybeans by the CCC.

Through December, farmers placed about 93 million bushels of 1961-crop soybeans under support compared with 22 million the same period a year earlier. Farmers could take out loans and purchase agreements through January, except in the few areas where the deadline was extended 2 months. The maturity date of the program is May 31, 1962.

Soybean oil prices (crude, Decatur) during October-January 1961-62 were relatively stable, averaging 10.5 cents per pound, 0.4 cents above the first 4 months of the 1960-61 marketing year. Prices during the remainder of the

marketing year are expected to continue fairly stable, rising only slightly. For the entire marketing year, they probably will average around 10.7 cents per pound, about 0.5 cents less than in 1960-61. Heavy supplies of vegetable oils and lard have exerted downward pressure on the general level of food fat prices this year. On the other hand, the record export movement of food fats in prospect for next spring and summer, along with a slight rise in soybean prices and little lower soybean meal prices, will provide some strength to bean oil prices.

Cottonseed oil and lard prices have now passed their seasonal low and are expected to rise over the remainder of the 1961-62 marketing year. Cottonseed oil will continue to command a price premium over bean oil and the spread probably will widen.

U. S. exports of cottonseed and soybean oils in 1961-62 probably will set a new record of around 1.9 billion pounds compared with 1.1 billion a year ago. Most of the increase is expected to be in soybean oil with cottonseed oil also up. Exports of edible oils under the Food for Peace Program are likely to total about 1.2 billion pounds, twice as much as in 1960-61. Most of this expansion will consist of donations through charitable agencies.

The CCC plans to make available about 200 million pounds of butter for foreign donation through charitable agencies. Most of this export movement is expected to take place during the 1962-63 fats and oils marketing year beginning next October 1.

Fruit

Since January 1, grower prices for oranges and grapefruit for fresh market shipment have increased moderately, mainly the result of reductions in prospective supplies due to winter freezes. Prices for pears, of which remaining supplies are lighter than a year ago, also increased somewhat. But those for apples and lemons, of which supplies are up, held fairly steady.

After allowing for severe losses of oranges and grapefruit in Florida and Texas due to winter freezes, total production of oranges is expected to be about 5 percent larger than in 1960-61, but that of grapefruit 6 percent smaller. Much of the mature freeze-damaged citrus of both States has been salvaged by processing. In early February, remaining supplies of oranges were moderately larger than a year earlier. The increase consisted of Florida Valencias, which will be harvested mostly during March through June. But remaining supplies of grapefruit were moderately smaller than a year earlier. The reduction is in Texas. In Florida, remaining supplies were about as large as a year earlier. The cold weather of late December and early January caused damage to leaves and small wood of citrus trees in many interior areas of Florida, especially on young trees. Tree damage in Texas was heavy, but it does not appear to be a repetition of the 1951 disaster. It is still too early to have an accurate appraisal of tree loss.

Although shipping-point prices for Florida fresh market oranges increased moderately during January and early February, they continued somewhat below the relatively high levels of a year earlier. But prices for California oranges reached levels generally above early 1961. Prices for Florida pink seedless grapefruit advanced to levels moderately above a year earlier; those for other varieties also increased but continued below year-earlier levels. These increases reflect the reduction in prospective supplies caused by the freezes. In Florida, prices for oranges for making into frozen concentrate held fairly steady until early February at levels somewhat below a year earlier, when prices were rising. More recently, they, too, have advanced.

Use of Florida oranges and grapefruit for both fresh market shipment and processing has been moderately larger to February 10 of the 1961-62 season than comparable use in 1960-61. During January, processor use of oranges was substantially larger than in this period of 1961, but that of grapefruit was down somewhat. Early-season output of frozen orange concentrate was considerably larger than in 1960-61; that of canned citrus juices was up moderately. In Texas following the freeze of early January, use of citrus for processing was heavy, with the result that total output of canned juices by February 3 was about 41 percent above a year earlier.

Stocks of apples in cold storage on February 1, 1962, were considerably larger than a year earlier, those of pears were substantially smaller. Shipping-point prices for apples have held fairly steady since the turn of the year. They continued generally below year-earlier levels. Prices for Washington D'Anjou pears increased moderately to a level somewhat above a year earlier. Despite losses due to winter freezes, reported truck shipments of Florida strawberries since January 1, 1962, have been much larger than comparable movement in 1961. Early spring acreage is 14 percent larger than last year.

Commercial Vegetables

Fresh.--Supplies of fresh vegetables are expected to be materially smaller this winter than a year ago. Cold weather and freezing temperatures have caused damage to some winter vegetables in California and Florida, and heavy damage to the Texas crop. Although damage to crops in California and Florida was not extensive, growth has been retarded and some delay in harvesting may occur. Materially smaller production is expected for artichokes, snap beans, broccoli, cabbage, cauliflower, celery, cucumbers, escarole, kale, lettuce, green peppers, and tomatoes. On the other hand, production of winter carrots, spinach and sweet corn is expected to be substantially larger than last winter, and that of beets and eggplant slightly to moderately larger.

Domestic production of winter vegetables, particularly tomatoes, cucumbers, and peppers, as usual, will be supplemented by imports from Mexico and the Bahamas. Acreage of both tomatoes and mixed vegetables in West Mexico, our main source of imports, is reported to be about half as large as last year when a large portion of the Mexican tomato crop was abandoned as a result of low U. S. and Canadian prices. However, this acreage is ample to furnish supplies for U. S. imports near those of last year. Quantities actually imported will

depend largely on production, time of harvest and prices in this country. With smaller overall supplies expected for the next few weeks prices of most fresh vegetables are expected to average materially above those of a year ago.

Processed.--Holdings of frozen vegetables are record high. With the exception of green peas, all major items appear to be in ample to heavy supply. Holdings of frozen green peas are substantially above the low level of a year ago but only moderate in relation to demand. Supplies of canned vegetables are moderately larger than last year and substantially larger than the recent 10-year average. Holdings of sweet corn and sauerkraut are materially above a year ago. Also supplies of lima beans, snap beans, and cucumber pickles likely are larger. Combined holdings of canned tomatoes, tomato juice, and tomato products probably are near those of a year earlier. On the other hand, supplies of pumpkin and squash are slightly to moderately smaller, and those of green peas substantially smaller than a year ago.

Demand for processed vegetables is expected to remain strong in the first half of 1961 with stepped-up promotional programs for processed items and consumer income continuing at a high level. Movements of both canned and frozen items during the remainder of the season are expected to be above those of a year earlier. Both f.o.b. and retail prices of most canned items are expected to average about the same to slightly higher than a year ago. However, large supplies of most frozen items are likely to hold both f.o.b. and retail prices at, or slightly below, levels of a year ago.

Potatoes and Sweetpotatoes

Supplies of potatoes available for marketings into mid-spring are substantially larger than a year earlier. Indicated production of winter potatoes is considerably smaller than last year but February 1 stocks of fall crop potatoes at 93 million hundredweight are 9 million hundredweight above those of a year ago. With heavy supplies in prospect for the next 2 to 3 months, prices to growers are expected to continue at relatively low levels.

Production and unloads data indicate remaining supplies of sweetpotatoes are near those of a year earlier. With consumer demand at about the same level as last year, prices for the remaining supplies are expected to average near those of last season.

Dry Beans and Peas

Supplies of both colored and white classes of dry beans are larger than last season. Domestic use of dry beans is expected to be slightly larger than last season as a result of the expanded school lunch and needy persons programs. Also, total U. S. exports are likely to be materially larger than last season because of stronger foreign demand and an expected increase in shipments of dry beans under P.L. 480 Programs, including donations. With substantially higher support levels for 1961-crop beans, higher domestic use, and increased exports, prices to growers are expected to average near those of last season, despite larger supplies.

Supplies of dry field peas are moderately smaller than a year ago. However, domestic use is expected to be about the same to slightly larger. Thus, supplies available for export will be smaller but export demand so far this season has been dull and the remaining supplies appear to be ample. Despite smaller supplies, prices to growers for the season as a whole probably will average near those of last season.

Cotton

Disappearance of cotton during the 1961-62 season is estimated at about 13.8 million bales, about 1.1 million bales below last season. The decline is likely because the prospective increase in mill consumption is not expected to offset the expected decline in exports. Total supply (beginning carryover, production, imports, and city crop) is expected to be about 21.7 million bales. On this basis the carryover of cotton on August 1, 1962 may be about 700,000 bales larger than the 7.2 million bales of a year earlier.

CCC investment in price support loans and inventories as of January 26, 1962 were about 5.4 million bales compared with 5.1 million bales a year earlier. At the start of the current season, CCC-held stocks were only about 1.5 million bales.

Ginnings from the 1961 crop totaled 14.0 million bales through January 15. This was about 97.9 percent of the estimated crop.

The average 14 spot market price for Middling 1-inch cotton has been relatively steady during recent months. The January price was 33.60 cents per pound compared with 33.56 cents per pound in December and 30.14 cents per pound in January of 1961. The average price for February 19 was 33.67 cents per pound. The average price received by farmers for upland cotton in January was 30.44 cents per pound, 2.75 cents a pound higher than January 1961.

The minimum national average support price (average of the crop) for 1962-crop upland cotton will be the same as a year earlier--31.88 cents per pound. The average support price for 1962-crop extra-long staple cotton of 53.17 cents per pound is also the same as a year earlier.

The raw fiber equivalent of cotton textiles imported into the United States during calendar year 1961 is estimated at 383,000 bales while exports of cotton textiles are estimated at 498,000 bales. Thus, exports of cotton textiles may have exceeded imports by about 115,000 bales. In 1960, imports of textiles exceeded exports by 40,000 bales.

A long-term cotton textile arrangement was concluded at a meeting of the Cotton Textile Committee of the General Agreement on Tariffs and Trade held in Geneva, Switzerland, January 29 - February 9, 1962. The arrangement is for a period of five years beginning October 1, 1962. It is similar to an earlier agreement covering a period between October 1, 1961 and October 1, 1962 which enables importing countries threatened by or subjected to market disruption in any of 64 categories of cotton textiles to restrain imports to the level of fiscal year 1961. Under the terms of the new arrangement, an importing

nation threatened by or subjected to market disruption on any item or category of cotton textiles may freeze imports for one year to the level of the first 12 of the preceding 15 months. If this market condition persists, the freeze may be extended for another year. Following that, increases may be limited to 5 percent a year.

Tobacco

Marketings of most tobaccos grown in 1961 except the Maryland crop are nearly completed. The Maryland tobacco auctions for the 1961 crop are expected to start in the latter part of April. Prices of flue-cured -- the largest single kind -- averaged near 64 cents, about 6 percent above 1960 and a record high. Prices of burley -- second largest kind of tobacco -- averaged around 66½ cents, about 3 percent above 1960 and slightly exceeded the previous high of 1958.

Prices for Virginia fire-cured and Kentucky-Tennessee fire-cured tobacco averaged about 2 and 7 percent lower than last season; Virginia sun-cured and One Sucker dark air-cured tobacco prices were up about 5 and 2 percent, respectively, while prices of Green River dark air-cured averaged about the same as last season.

On January 30, the Secretary of Agriculture announced an increase of 6 percent in burley tobacco acreage allotments for 1962 compared with 1961. The 1961-62 supply of burley -- the 1961 crop plus the carryover -- is about 1½ percent above 1960-61, but otherwise the lowest in 10 years. The domestic use and exports of burley are expected to continue to increase in the years ahead. On February 20, burley growers voted overwhelmingly to continue marketing quotas in effect on their 1962, 1963, and 1964 crops. Price support for the 1962 crop will be 57.8 cents per pound -- up 1 percent from the 1961 support level. The year-to-year change in the overall support levels of the eligible tobaccos is determined on the basis of the relationship between the 1959 parity index and the average of the parity index in the most recent 3 calendar years. The parity index is the index of prices paid by farmers, including interest, taxes, and wage rates.

The 1962 acreage allotments were also announced for fire-cured, dark air-cured, sun-cured, and Maryland tobaccos. For most farms growing these kinds, 1962 allotments will be the same as in 1961. On February 20 growers of sun-cured tobacco voted approval of marketing quotas on their next three crops; growers of the fire-cured and dark air-cured types approved quotas for their 1961, 1962, and 1963 crops in February 1961 and growers of Maryland tobacco approved quotas for their 1960, 1961 and 1962 crops in February 1960. The 1962 support level for fire-cured tobacco is 39.2 cents per pound; for dark air- and sun-cured, 34.8 cents per pound; and for Maryland tobacco, 51.3 cents per pound.

Also announced were the 1962 acreage allotments for Connecticut Valley cigar binder types and Wisconsin cigar binder -- Ohio cigar filler types. For most farms growing these cigar tobaccos, the 1962 acreage allotments will be 15 percent smaller than for 1961. The 1962 support levels for the Connecticut Valley binder types will be 40 cents per pound and for the combined Wisconsin binder -- Ohio filler types, 28.9 cents per pound.

OFFICIAL BUSINESS

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On February 20, growers of Pennsylvania filler type 41 voted against marketing quotas on their next three crops; therefore Government price support cannot be made available for this type. A marketing quota has never been in effect for this type of tobacco.

Cigarette output in 1961 totaled a record 528 billion--4 percent above 1960. The 1961 output of smoking tobacco at 74 million pounds was slightly above 1960 but over a fourth less than 10 years ago. The 1961 output of chewing tobacco at 65 million pounds was up slightly from the record low of 1960; output of snuff in 1961 at nearly 34 million pounds was down 3 percent from 1960 and about 15 percent below 10 years ago.

Total cigars shipped from factories in the U. S. and Puerto Rico during 1961 are estimated at over 7 billion--slightly above 1960 and above any year since 1923. Cigars imported from Cuba totaled 13 million in 1961 compared with 23 million in 1960 and 24 million in 1959.

Imports of goods of Cuban origin into the United States effective February 7, were prohibited by proclamation of the President of the United States. About a tenth of the cigars manufactured in U. S. factories have been composed of mainly Cuban tobacco and an additional 57 percent utilized Cuban tobacco as part of the filler blend. The proportion of Cuban tobacco in this latter group of cigars varied widely. Approximately a fourth of all cigar tobacco used in U. S. cigar manufacture was imported from Cuba. On January 1, 1962 stocks of Cuban tobacco in the United States totaled nearly 40 million pounds (unstemmed weight). This was about 5 percent less than a year earlier but more than double the stocks of Cuban tobacco held in the U. S. in the pre-Castro period of 1957-58. The duration of existing stocks of Cuban tobacco held by individual firms varies considerably. Several manufacturers have already taken steps to stretch their Cuban tobacco stocks by reduction in the rate of use and by gradual increases in the use of other tobaccos.

U. S. exports of unmanufactured tobacco in 1961 totaled 501 million pounds (declared weight)--1 percent above 1960 and virtually the same as the average for 1955-59. The USDA has announced an export payment program to encourage the export of tobacco still on hand from 1956 and earlier crops. Most of the tobacco remaining from these crops is held as collateral for price support loans. The program is designed to encourage and develop new markets by providing payments from funds authorized for this purpose in Section 32 of Public Law 320.